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# PavCo

## ANNUAL REPORT

## April 1, 2003 to March 31, 2004

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# ORGANIZATIONAL OVERVIEW

B.C. Pavilion Corporation is a British Columbia corporation incorporated under the *Company Act (British Columbia)* on May 3, 1984. The authorized capital of B.C. Pavilion Corporation consists of 10,000 common shares without par value. Only one common share has been issued and it is held by Her Majesty the Queen in Right of the Province of British Columbia. The100% ownership of issued shares by the Provincial Government makes B.C. Pavilion Corporation a Crown Corporation.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

There are a number of other statutes relevant to PavCo, the most significant being the *British Columbia Enterprise Corporation Act,* which names PavCo an agent of the government. This act binds PavCo by the same laws and gives it the same immunities as the government.

PavCo is responsible to the Ministry of Small Business and Economic Development.

PavCo operates three public facilities within the Lower Mainland of British Columbia namely the Vancouver Convention & Exhibition Centre, BC Place Stadium, and the Bridge Studios. These facilities provide space for conventions, trade and consumer shows, film and TV productions, sporting events, and a variety of special events. BC Place Stadium and Bridge Studios are owned and operated by PavCo; Vancouver Convention & Exhibition Centre is leased from Canada Place Corporation, a Federal Government Authority.

The private sector has limited interest in owning or managing facilities such as Vancouver Convention & Exhibition Centre and BC Place Stadium as they are not profitable in a commercial sense and require ongoing government subsidy. Vancouver Convention & Exhibition Centre was developed to generate economic benefits for British Columbia. This is accomplished by generating direct business for the hospitality and tourism industry in British Columbia as well as assisting in the development of trade and investment benefits by increasing Vancouver's profile as a centre for professional development and education. BC Place Stadium was designed as a multi-purpose facility for sporting shows as well as trade and consumer shows, thereby serving key community and provincial functions.

PavCo has managed several other public facilities which have now been turned over to their respective communities after being successfully developed into viable organizations that can be supported locally. The latest facility to be turned over to its local community was Tradex, which is now being operated by the City of Abbotsford.

The Bridge Studios, which was created to develop the film industry in British Columbia at a time when limited studio space was available in the private sector, now generates significant economic benefits and plays a large part in providing infrastructure for the film and TV industries in the Province.

At Core Review in 2002, it was determined that PavCo's operations would be reorganized. A Public Private Partnership process was planned for the expansion and future operations of Vancouver Convention & Exhibition Centre, Tradex was to be transferred to the City of Abbotsford, and the Bridge Studios sold. However, the Public Private Partnership process did not complete. Tradex was transferred to the City of Abbotsford as mentioned and government determined that PavCo will continue to be responsible for operations of BC Place Stadium and Vancouver Convention & Exhibition Centre. Vancouver Convention & Exhibition Centre and the expansion of the centre will be operated as an integrated facility, and PavCo, as operator, will take the lead role in selling and marketing the facility.

## *VISION*

To be a recognized leader in event facility management.

## *MANDATE*

To generate economic and community benefit for the people of British Columbia through prudent management of public facilities.

## *MISSION*

To provide the best event experience for all of our clients and guests.

## *VALUES*

**Quality and Service** – We set and meet high standards of service.

**Respect, Fairness, and Honest Communication** – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

**Financial Responsibility** – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

**Creativity and Innovation –** We take responsible risks to find better ways, new methods and processes to get the job done.

**Enthusiasm and Humour –** We show our enjoyment of our work and each other.

**Environmental Responsibility** – We continually look for new ways of conducting our business to reduce environmental impacts.

**Integrity** – We apply our values and deliver on our promises.

# MESSAGE FROM THE CHAIRMAN

Following Core Review in 2002, PavCo embarked on a programme to divest facilities no longer essential to its business purpose. At the end of Fiscal 2004, the process was nearing completion. Corporate Office was significantly downsized, and ownership of Tradex was passed to the City of Abbotsford. Negotiations for the sale of Bridge Studios were ongoing as of March 31, 2004.

PavCo will continue to manage the operations, sales and marketing of BC Place Stadium and Vancouver Convention & Exhibition Centre, in addition to assuming the lead role in sales and marketing of the expansion of the Convention Centre, which will be operated as an integrated entity with the present facility.

At the beginning of Fiscal 2004, the Canadian tourism industry experienced a downturn due to SARS and instability in the Middle East. During this time, operations at Vancouver Convention & Exhibition Centre were affected with the cancellation of some conventions and a reduction in event attendance. There was a recovery of attendance during the last quarter from regional clients. Vancouver is regarded as a safe destination for visitors, so attendance from out of country clients is expected to return to historical levels. This however will occur at a slower pace than originally forecast.

As a result of the decline of foreign business, economic benefits generated during Fiscal 2004 fell significantly short of expectations. PavCo has either achieved or has come close to meeting its remaining performance objectives during the year.

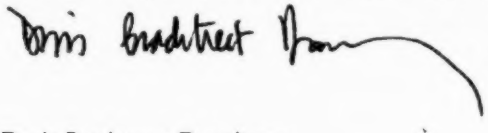
Construction of the expansion of the Vancouver Convention & Exhibition Centre is expected to start in late 2004, and the expanded facility is expected to open in mid-2008. Marketing and sales of the expanded facility are now underway. Following the opening of the expansion, the existing facility is expected to close for extensive renovations in September 2008, for reopening in the fall of 2009.

During the year, BC Place Stadium benefited from the decision of many people to stay at home rather than to travel, thereby providing a notable increase in event attendance and revenues at the facility. However, higher non-recoverable costs caused the bottom line to remain the same as for Fiscal 2003.

Vancouver Convention & Exhibition Centre and BC Place Stadium are contracted to be venues for the 2010 Winter Olympic and Paralympic Games. The higher profile of Vancouver is expected to bring more business to the City leading up to the games. As PavCo's facilities are aging, ongoing investment in their infrastructures will be required to meet the standards required for the Games, and to maintain their marketplace competitiveness.

PavCo was not required to prepare a Service Plan for the period 2003/04 to 2005/06. The target results included in the Annual Report are from facility plans and forecasts for the year ended March 31, 2004.

On behalf of the Board of Directors, I wish to thank management and staff for their contribution to the results of this past year and to the continued success of the Corporation.



Doris Bradstreet Daughney
Chairman & Chief Executive Officer

# ACCOUNTABILITY STATEMENT

The 2003/04 PavCo Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including selection of performance measures and the reported results. All significant decisions, events and identified risks, as of April 30, 2004 have been considered in preparing the report.

Doris Bradstreet Daughney
Chairman & Chief Executive Officer

# THE YEAR IN REVIEW

The success of PavCo's facilities is dependent on local, regional and world economic conditions. During the year ending March 31, 2004, economic and political events caused many of our overseas clients to abstain from travelling, resulting in the loss of some business as well as lower economic benefits generated by the corporation.

As a result of world events, attendance at Vancouver Convention & Exhibition Centre, PavCo's major revenue and economic benefits generator was reduced significantly from target during the first half of the Fiscal year. Some out of country conventions were cancelled and others downsized. However, activity did pick up significantly during the final quarter and revenues completed on budget. Much of the new business, however, was from markets yielding lower economic benefits than targeted.

Activity at the Bridge Studios is dependent on foreign production – mostly from USA film producers. The combination of the rising Canadian dollar, the reluctance of some filmmakers to shoot movies outside the US, and emerging new markets for cheap film production all caused excess vacant studio space in Vancouver during the year. However, the Bridge Studios maintained high occupancy due to both long-term leases for TV productions and a major movie production that occupied the largest stage. Economic benefits generated through these activities were close to budget.

PavCo transferred ownership of Tradex, a regional trade centre, to the City of Abbotsford on January 1, 2004. During the twelve years of Tradex's operation by PavCo, its reputation as a viable event venue was established and the City of Abbotsford will now benefit accordingly.

BC Place Stadium enjoyed a resurgence of interest in professional football during 2003. Towards the end of the football season, BC Lions' seating configuration was filled close to capacity, with the highest attendance in several seasons. Attendance at other core events also improved, except for concerts, which were absent from the facility. BC Place Stadium was fully booked during the core trade and consumer show season. Management presently seeks infill business for the shoulder seasons.

Steady progress towards the 2008 opening of the expanded Convention & Exhibition Centre was made. The programming of spaces and schematic design are nearing completion and the Vancouver Convention & Exhibition Centre staff are involved in ensuring functionality of the final design from an operational and sales point of view. As stated, PavCo will be responsible for all operations as well as the selling and marketing of the integrated facility.

Corporate Office was downsized to minimum levels. The office provides liaison between the Shareholder, Board of Directors, and the facilities, and provides some centralized financial and human resources functions.

No significant capital projects were carried out during the year. As the operator of public facilities, PavCo monitors the condition of its assets in order to both maintain competitiveness with other facilities and to ensure the highest standards of health and safety for its clients. Both Vancouver Convention & Exhibition Centre and BC Place Stadium require upgrades for the 2010 Winter Olympic and Paralympic Games.

# REPORT ON PERFORMANCE

At the time that the 2003/04 to 2005/06 Service Plans for British Columbia's Crown Corporations were being prepared, it was anticipated that PavCo would be wound up. As a result, PavCo was not required to prepare a Service Plan for the period. In this report, comparisons are made to prior year actual results, the targets set in facility budgets and to the 2004/05 to 2006/07 Service Plan.

The Corporation generated an estimated $421 million in economic benefits to the Province of British Columbia during the year ended March 31, 2004 - significantly lower than the $554 million target. The majority of PavCo's economic benefits are generated through convention activity at Vancouver Convention & Exhibition Centre and film production at Bridge Studios. During Fiscal 2004, overall attendance at conventions reduced significantly as a result of world events and economic benefits declined accordingly.

Operational results for the year ended March 31, 2004 exceeded expectations. Revenues were higher than anticipated due to the increased attendance over budget for most event types except conventions. Costs were also in line with budget and prior years' performance.

Vancouver Convention & Exhibition Centre exceeded revenue targets, with increased attendance at events towards the end of the year. Expenses were higher than anticipated as a result of equipment replacement projects.

The Bridge Studios was close to being fully occupied for the year. The rising Canadian dollar and increasing competition from other markets had caused concern that there might have been space over-capacity. However, the concern proved to be unwarranted and economic benefits generated at the facility were close to budget for the year. During the previous Fiscal year, the facility's largest stage, the effects stage, was vacant for a considerable period due to noise issues from the nearby Millenium Skytrain line. The space was rented during Fiscal 2004 to film and TV productions that were not dependent on sound quality for their operations. Most of the facility is now rented on long-term agreements.

Performance at BC Place Stadium was on target. Revenues significantly exceeded targets with higher activity at sporting events and the hosting of several unbudgeted special events. Operating costs exceeded expectations due to increased insurance rates and the completion of several repair projects.

Operations of Tradex were taken over by the City of Abbotsford effective January 1, 2004, as the lease on the facility that was due to expire in 2012 was cancelled. The new operator will run the facility with a more regional focus.

## *Strategic Goals*

PavCo's strategic goals are split in two areas. Our primary goal reflects our mandate. To effectively meet this goal, we need to achieve our secondary goals.

**Primary goal:**

1. To increase economic benefit for the people of British Columbia through the operation of Vancouver Convention & Exhibition Centre and BC Place Stadium.

**Secondary goals:**

1. To attract customers from international, national and local markets to our facilities.
2. To optimize the financial performance of our facilities.

## *Primary Goal:*

## *To increase economic benefit for the people of British Columbia through the operation of Vancouver Convention & Exhibition Centre and BC Place Stadium*

The events held at our facilities support British Columbia's business and leisure tourism industries as well as its trade development infrastructure. Our clients and guests from out of Province fill hotel rooms and patronize local businesses during their events. They also conduct pre- and post-event activities throughout the Province.

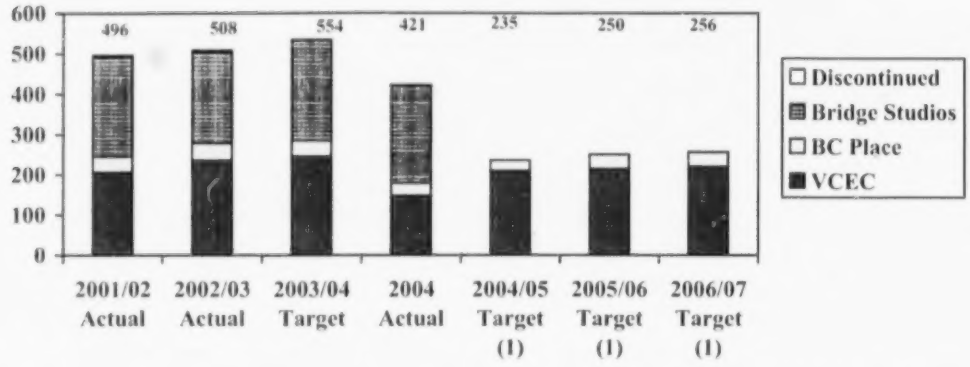
To meet this goal, we:

- Seek events from out of Province that will generate the maximum amount of economic benefits to our community; and
- Seek events that will help grow and support British Columbia's business base.

We measure the amount of economic benefits generated by our activities through estimates of expenditures by attendees at our events, subsequent spending in British Columbia following the events, and the effects on the economy of such spending.

The economic benefits are assessed by a third party consultant using the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute. A new model for measurement of Economic Benefits is being developed with the Convention Centres of Canada.

**Comparison of Net Economic Benefits Generated**
**(for operations in $ millions)**




(1) Targets for 2004/05 to 2006/07 have been revised downwards from original projections due to the decline and subsequent slow recovery of out of country visitors to Vancouver Convention & Exhibition Centre following world events of 2003. No projections are included for Bridge Studios past 2004/05 as it is anticipated that the facility will be sold during Fiscal 2005.

During Fiscal 2004, PavCo generated an estimated $421 million in benefits to the community through its activities, compared to an original target of $554 million for the year and actual of $507 million in Fiscal 2003. Benefits generated for the year were reduced significantly from expectations mainly due to fewer overseas visitors to the Vancouver Convention & Exhibition Centre. Out of country attendance declined significantly in the first half of Fiscal 2004 as some conventions were cancelled and there was an overall lack of infill business. To a great extent, this was due to the cumulative effects of September 11, 2001, SARS and the following world economic implications. Attendance did recover during the latter part of the year; however, since the attendance was from local markets there was not a corresponding increase in benefits.

## *SECONDARY GOALS:*

## *SECONDARY GOAL #1*

### *TO ATTRACT CUSTOMERS FROM INTERNATIONAL, NATIONAL AND LOCAL MARKETS TO OUR FACILITIES*

Our primary goal will be met by improving the attendance and spending of our visitors. The events at our facilities in Vancouver attract customers from around the world. We work with our partners in the tourism industry to attract guests who will bring the greatest amount of benefits to the local and provincial economies. We work with the business community to ensure that appropriate activities are coordinated for our visitors during and after their events with us. Many of our guests from out of province spend extra time in the region post-events and later return with their families as tourists.

To meet this goal, we need to:

- Provide the highest levels of service and value to our guests;

- Maintain our facilities, and enhance our image, to make Vancouver the choice destination for event planners; and
- Retain our clients on a long-term basis.

Our success in achieving this goal is measured as follows:

**Score on client satisfaction surveys.** In order to continuously improve customer service, we require feedback from event organizers. Surveys are sent to clients after events and the results are monitored. Client satisfaction is as follows (out of a total of 6.0 points):

| | Fiscal 2001/02 Actual | Fiscal 2002/03 Actual | Fiscal 2003/04 Target | Fiscal 2003/04 Actual | Fiscal 2004/05 Target | Fiscal 2005/06 Target | Fiscal 2006/07 Target |
|---|---|---|---|---|---|---|---|
| Vancouver Convention & Exhibition Centre | 4.8 of 6 | 5.0 of 6 | 5.0 of 6 | 4.8 of 6 | 5.4 of 6 | 5.4 of 6 | 5.4 of 6 |
| BC Place Stadium | 4.5 of 6 | 5.3 of 6 | 5.3 of 6 | 5.0 of 6 | 5.3 of 6 | 5.3 of 6 | 5.3 of 6 |

There was no significant shift in client satisfaction during the year. Results were slightly lower than anticipated.

During the marketing and construction phase of the facility expansion, our goal is to maintain and increase the level of client satisfaction at Vancouver Convention & Exhibition Centre. This will be a significant challenge due to the noise, construction, and traffic issues that will persist.

Results at BC Place Stadium are not expected to improve in the period to Fiscal 2007 due to the facility ageing without significant upgrades scheduled.

**Measure facility utilization.** BC Place Stadium has a definitive show season and is fully booked for a large portion of the year. However, as with many other public facilities, the summer periods are quiet and further infill business is needed to generate revenue. At the Vancouver Convention & Exhibition Centre, most convention space is completely booked for peak periods, therefore an increase in occupancy can only be achieved through sales with short lead times.

During Fiscal 2004, occupancy at the event facilities was close to the Fiscal 2003 target and actual results.

Occupancy at Vancouver Convention & Exhibition Centre was as expected during Fiscal 2004. Increased activity towards the end of the year compensated for the slow activity during the first half. Occupancy at the facility is at the high end of expectations for comparable facilities. Any fluctuations over the next three fiscal years will be due to infill business booked.

Occupancy at BC Place Stadium was higher than expected in Fiscal 2004 due to an increased number of Film Shoots and Special Events. The frequency of these is not expected to be as high in Fiscal 2005.

At Bridge Studios, occupancy was at the highest level for several years due to both a major film production, which used the largest stage for a significant portion of the year and by a long-term lease on the space. In Fiscal 2003, there had been vacancy at the facility due to a lack of interest from film productions as well as noise issues from the Skytrain line. Sale of the facility is expected to complete during Fiscal 2005, therefore there are no occupancy targets included.

| Occupancy | Fiscal 2001/02 Actual | Fiscal 2002/03 Actual | Fiscal 2003/04 Target | Fiscal 2003/04 Actual | Fiscal 2004/05 Target | Fiscal 2005/06 Target | Fiscal 2006/07 Target |
|---|---|---|---|---|---|---|---|
| VCEC | 64% | 62% | 63% | 61% | 62% | 63% | 64% |
| BC Place | 47% | 51% | 52% | 55% | 52% | 55% | 55% |
| Bridge Studios | 87% | 73% | 73% | 93% | N/A | N/A | N/A |

**Track attendance by facility.** Facility attendance is monitored on a daily basis and is reported as Delegate Days in order to measure the Corporation's success.

| Visitor/ Delegate Days | Fiscal 2001/02 Actual | Fiscal 2002/03 Actual | Fiscal 2003/04 Target | Fiscal 2003/04 Actual | Fiscal 2004/05 Target | Fiscal 2005/06 Target | Fiscal 2006/07 Target |
|---|---|---|---|---|---|---|---|
| VCEC | 486,234 | 588,165 | 572,000 | 567,882 | 595,000 | 605,000 | 615,000 |
| BC Place Stadium | 697,643 | 673,797 | 698,000 | 767,489 | 744,335 | 785,000 | 750,000 |
| Tradex | 241,178 | 274,326 | N/A | 126,371 | 0 | 0 | 0 |
| Total | 1,425,055 | 1,536,288 | 1,270,000 | 1,461,742 | 1,300,000 | 1,350,000 | 1,315,000 |

- Fiscal 2004/05 to 2005/06 Targets for attendance at BC Place Stadium have been revised upwards from the Service Plan due to higher attendance recorded at sporting events.
- Ownership of Tradex was transferred to the City of Abbotsford January 1, 2004. No target was set for attendance for Fiscal 2004 due to the pending disposition.

Visitors to BC Place Stadium increased over the past two fiscal years as a result of increased attendance at professional sports and consumer shows. Higher attendance is anticipated in Fiscal 2006 with the hosting of the Grey Cup at the facility.

Attendance at Vancouver Convention & Exhibition Centre declined significantly in Fiscal 2002 due to events of 9/11, the resulting effect on the world economy and slowed travel patterns. Some recovery occurred in Fiscal 2003; however, the impact of 9/11and the effect of SARS caused delegate day numbers to decline through to late Fiscal 2004. Much of the attendance shortfall experienced in the first three quarters of Fiscal 2004 was made up by short lead-time business in the last quarter. Continued recovery is expected through Fiscal 2007. A drop in attendance at the facility was expected, with the existing structure scheduled for closure for a significant portion of the year due to previous plans for an expansion to open in Fiscal 2004. Bookings had been curtailed with the closure considered.

**Track bookings as a result of expansion of the Vancouver Convention & Exhibition Centre.** The Provincial and Federal governments and Tourism Vancouver are investing significant tax dollars in the expansion of the Vancouver Convention & Exhibition Centre. We need to ensure that upon opening, occupancy in the Convention Centre expansion is close to the prediction on which expansion was based. This tracks the cumulative bookings made for the period following the opening of the expansion.

| MEASURE | Fiscal 2002/03 Actual | Fiscal 2003/04 Target | Fiscal 2003/04 Actual | Fiscal 2004/05 Target | Fiscal 2005/06 Target | Fiscal 2006/07 Target |
|---|---|---|---|---|---|---|
| | | Bookings by Year | | | | |
| Number of major events booked post 2008 opening of expansion to Convention Centre | 17 | 21 | 34 | 38 | 47 | 77 |
| Delegate count for major events post 2008 opening of expansion to Convention Centre | 115,000 | 173,000 | 566,000 | 314,000 | 389,000 | 635,000 |

Note: The target number of events and delegate count for Fiscal 2004/05 to 2006/07 has been upgraded since the 2004/05 to 2006/07 Service Plan was prepared.

The above table reflects the number of events booked, or to be booked, for the post-2008 period. The Vancouver Convention & Exhibition Centre has a booking priority policy that favours large conventions and it is not possible to contract lower priority events until three years from the event. Many of the events are only at the tentative stage and may not convert into contracted business.

## *SECONDARY GOAL #2*

### *TO OPTIMIZE THE FINANCIAL PERFORMANCE OF OUR PROPERTIES*

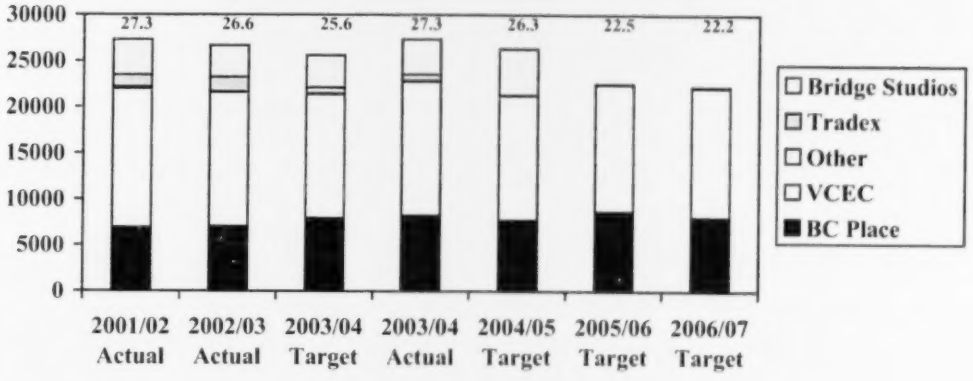
PavCo strives to meet its financial targets each year and to minimize its reliance on shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, and at the same time, our ageing facilities and external challenges are creating an upward pressure on costs. Additionally, our shareholder is facing fiscal challenges that make it important for PavCo to use the funding provided in the areas most likely to generate long-term profitability and benefit the organization and the British Columbia.

In order to meet this goal, we need to:

- Break even after allocation of shareholder subsidy;
- Increase the revenues generated through our business activities; and
- Minimize our expenditures, while at the same time maintaining our facilities for optimal use by our patrons.

Our success in achieving this goal is measured by monitoring revenues generated by our businesses. A sustained increase in revenues and related margins will provide additional resources for the maintenance of our facilities.

**Comparison of Revenues from Operations**
**(in $ millions)**




Revenues for Fiscal 2004 were higher than expected as a result of both strong final quarter performance at Vancouver Convention & Exhibition Centre and increased event activity at BC Place Stadium. Revenues for the fiscal years up to and including Fiscal 2004 include revenues from the Bridge Studios. It is expected that the facility will be sold during Fiscal 2005 and target revenues for the year include profit from the disposition of the facility.

Vancouver Convention & Exhibition Centre and BC Place Stadium are operating at close to capacity during their peak show seasons. Increases in revenues during future years will be mainly from incremental sales at the events and business booked outside these peak periods.

# FINANCIAL REPORT

## Management Discussion and Analysis

Management is pleased to present the financial results of the Corporation for the year ended March 31, 2004.

In Fiscal 2004, PavCo lost $7.699 million before government contributions. This compares to losses of $5.207 million in Fiscal 2003, $8.296 million in Fiscal 2002 and $5.518 million in Fiscal 2001. Included in the loss of $7.699 million for Fiscal 2004 was a $2.807 million one-time charge on the disposition of Tradex. After taking this charge and the costs of cessation of business into consideration, the loss was in line with that of previous years.

| | Operations for the Year Ended March 31 (In $ thousands) | | | | |
|---|---|---|---|---|---|
| | 2001 Actual | 2002 Actual | 2003 Actual | 2004 Budget | 2004 Actual |
| Revenue | 28,149 | $27,304 | $26,657 | $25,608 | $27,335 |
| Direct costs | 12,149 | 12,269 | 11,908 | 11,888 | 12,782 |
| Gross margin | 16,000 | 15,035 | 14,749 | 13,720 | 14,553 |
| Facility Expenses | | | | | |
| Staffing | 7,908 | 7,483 | 6,359 | 6,131 | 6,166 |
| Operating | 5,014 | 5,128 | 5,180 | 5,813 | 5,461 |
| General and administration | 1,631 | 1,880 | 1,892 | 1,870 | 2,175 |
| Business development | 995 | 718 | 677 | 791 | 686 |
| Fees | 863 | 766 | 569 | 439 | 833 |
| Depreciation | 4,787 | 4,566 | 4,378 | 3,772 | 3,943 |
| | 21,198 | 20,541 | 19,055 | 18,816 | 19,264 |
| Loss before other expenses | 5,198 | 5,506 | 4,306 | 5,096 | 4,711 |
| Other expenses | | | | | |
| Severance costs and other costs of cessation of operations | 0 | 1,201 | 901 | 150 | 181 |
| Convention Centre Expansion | 320 | 1,589 | 0 | 0 | 0 |
| Disposition of Tradex facility | 0 | - | - | 2,820 | 2,807 |
| Loss before government contributions | $5,518 | $8,296 | $5,207 | $8,066 | $7,699 |
| Capital expenditures | $1,386 | $1,788 | $1,229 | $300 | $455 |
| Staff full time equivalents | 173 | 160 | 148 | 118 | 127 |

B.C Pavilion Corporation
Comparison of Financial Results by Major Cost Centre
Year Ended March 31 (in $ thousands)

| | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|
| Revenue | | | | |
| VCEC | $13,422 | $15,050 | $14,541 | $14,530 |
| BC Place Stadium | 7,816 | 6,930 | 7,062 | 8,244 |
| Bridge Studios | 3,593 | 3,803 | 3,412 | 3,789 |
| Tradex | 1,562 | 1,318 | 1,555 | 670 |
| Corporate Office | 284 | 203 | 87 | 102 |
| Robson Sq Conf Centre | 1,347 | 0 | 0 | 0 |
| Other | 125 | 0 | 0 | 0 |
| | **28,149** | **27,304** | **26,657** | **27,335** |
| Direct costs | | | | |
| VCEC | 6,862 | 7,953 | 7,506 | 7,759 |
| BC Place Stadium | 3,685 | 3,439 | 3,474 | 4,344 |
| Bridge Studios | 253 | 296 | 224 | 361 |
| Tradex | 655 | 581 | 704 | 318 |
| Corporate Office | 0 | 0 | 0 | 0 |
| Robson Sq. Conf Centre | 694 | 0 | 0 | 0 |
| | **12,149** | **12,269** | **11,908** | **12,782** |
| Gross margin | **16,000** | **15,035** | **14,749** | **14,553** |
| Facility Expenses | | | | |
| VCEC | 6,102 | 6,304 | 6,500 | 7,001 |
| BC Place Stadium | 5,093 | 5,349 | 5,220 | 5,731 |
| Bridge Studios | 1,190 | 1,284 | 1,244 | 1,614 |
| Tradex | 927 | 812 | 841 | 605 |
| Corporate Office | 2,113 | 1,990 | 862 | 370 |
| Robson Sq Conf Centre | 577 | 0 | 0 | 0 |
| Other | 409 | 236 | 10 | 0 |
| | **16,411** | **15,975** | **14,677** | **15,321** |
| Depreciation | | | | |
| VCEC | 584 | 647 | 591 | 472 |
| BC Place Stadium | 3,011 | 2,788 | 2,762 | 2,564 |
| Bridge Studios | 653 | 659 | 668 | 674 |
| Tradex | 296 | 322 | 324 | 229 |
| Corporate Office | 170 | 150 | 33 | 4 |
| Robson Sq Conf Centre | 73 | 0 | 0 | 0 |
| | **4,787** | **4,566** | **4,378** | **3,943** |
| Income (Loss) before other expenses | | | | |
| VCEC | (126) | 146 | (56) | (702) |
| BC Place Stadium | (3,973) | (4,646) | (4,394) | (4,395) |
| Bridge Studios | 1,497 | 1,564 | 1,276 | 1,140 |
| Tradex | (316) | (397) | (314) | (482) |
| Corporate Office | (1,999) | (1,937) | (808) | (272) |
| Robson Sq Conf Centre | 3 | 0 | 0 | 0 |
| Other | (284) | (236) | (10) | 0 |
| | **$(5,198)** | **$(5,506)** | **$(4,306)** | **$(4,711)** |

**Operations**

Revenue for the year at $27.335 million increased by $678,000 from Fiscal 2003 due to a combination of both higher sporting activity at BC Place Stadium and high levels of occupancy at Bridge Studios.

Direct costs of $12.782 million increased by $874,000 from Fiscal 2003, and by $513,000 from Fiscal 2002. The costs were in line with expectations for their particular revenue types. The gross margin at $14.553 million decreased by $196,000 from Fiscal 2003, and $482,000 from Fiscal 2002, and was consistent with the change in event revenue mix.

Facility operating costs including depreciation at $19.264 million increased by $209,000 from Fiscal 2003 but were $1.277 million lower than for Fiscal 2002. A decrease in depreciation and staffing charges has been offset by higher insurance and maintenance costs.

Staffing costs decreased significantly during the period from Fiscal 2001 to Fiscal 2003 due to downsizing arising from the Core Services Review. In Fiscal 2004, costs declined further as a result of more staffing reductions at Corporate office and the disposition of Tradex.

Building operating costs were higher than for previous years as a result of increased maintenance costs on the Corporation's ageing facilities, and higher utility expenses.

General and administrative costs increased significantly during Fiscal 2004, as a result of the continued increase in insurance premiums and the replacement of computer products.

Business development costs were comparable to those of Fiscals 2002 and 2003, and significantly lower than for Fiscal 2001. Uncertainty over the expansion of the Vancouver Convention & Exhibition Centre and the future of PavCo's operations has resulted in a reduction of business development activity over the last three years.

Fees, which had remained steady for the past three years increased in Fiscal 2004, as a result of costs for disposition of a facility being expensed.

Depreciation of the corporate facilities continued to decline as ageing assets have been fully depreciated.

During Fiscal 2004, $181,000 was incurred for severance payments and other costs of cessation of operations, a decline from the $901,000 cost in Fiscal 2003.

**Future Outlook**

Revenue expectations for PavCo's core facilities, Vancouver Convention & Exhibition Centre and BC Place Stadium, are expected to remain constant for the foreseeable future with some fluctuations due to changing event activity. There are growing expectations from clients for subsidies on rental and other related payments in recognition of the benefits that they bring to the Province with their events. The facilities will operate at close to capacity during their peak usage periods.

As the facilities are approximately 20 years old, requirements for repairs and maintenance will continue to escalate in the coming years. The Vancouver Convention & Exhibition Centre, which competes for business worldwide, requires constant refurbishment in order to remain competitive.

The next three years will see increased activity in marketing and sales for space at the expansion of the convention centre, scheduled to open in 2008.

## *Management's Responsibility for Financial Reporting*

The accompanying financial statements of B.C. Pavilion Corporation for the year ended March 31, 2004 and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the financial statements for the year ended March 31, 2004 in accordance with Canadian generally accepted accounting principles. A precise determination of certain of the assets and liabilities is dependent on future events and consequently the preparation of the financial statements necessarily involves the use of management's best estimates and judgments. These financial statements present fairly the financial position of B.C. Pavilion Corporation as at March 31, 2004 and the results of operations and the changes in cash flows for the year then ended. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management is responsible for the preparation, content, consistency, objectivity and integrity of the financial statements and all other financial information contained in this Annual Report. Management has established and maintains a system of internal controls that provides reasonable assurance that the financial records are reliable, form a proper basis for the preparation of the financial statements, and that the assets of the Corporation are properly accounted for and safeguarded. The internal control process includes a Peoples Policy applicable to the conduct of all employees.

The Audit and Finance Committee of the Board of Directors, which is comprised of directors who are not employees of the Corporation, oversees management's discharge of its financial reporting responsibilities. The Audit and Finance Committee meets periodically with management and the external auditors to discuss financial reporting, internal controls and other financial matters. The external auditors have free and independent access to the Audit and Finance Committee without management's presence.

The financial statements have been audited by Grant Thornton LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards and their report follows.

John Harding
Chief Financial Officer
April 30, 2004

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton

# Auditors' Report

To the Shareholder of B.C. Pavilion Corporation

We have audited the balance sheet of B.C. Pavilion Corporation as at March 31, 2004 and the statements of operations and operations deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP

Vancouver, Canada
April 30, 2004

Chartered Accountants

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Canadian Member of Grant Thornton International

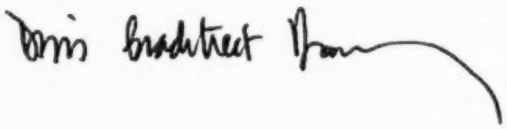
# Balance Sheet

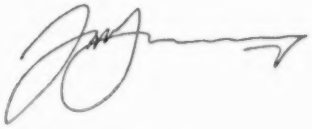
(in thousands)

| March 31 | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | **$ 3,525** | $ 3,706 |
| Receivables | **2,500** | 1,541 |
| Prepaids | **742** | 968 |
| | **6,767** | 6,215 |
| Capital assets (Note 3) | **133,068** | 138,563 |
| | **$ 139,835** | $ 144,778 |
| **Liabilities** | | |
| Current | | |
| Trade payables and accrued liabilities | **$ 3,843** | $2,704 |
| Accrued costs of cessation of operations | **1,310** | 1,331 |
| Unearned revenue | **2,877** | 3,239 |
| | **8,030** | 7,274 |
| Deferred government contributions (Note 4) | **102,747** | 108,446 |
| | **110,777** | 115,720 |
| **Shareholder's Equity** | | |
| Capital stock (Note 5) | **1** | 1 |
| Contributed surplus | **31,131** | 31,131 |
| Operations deficiency | **(2,074)** | (2,074) |
| | **29,058** | 29,058 |
| | **$ 139,835** | $ 144,778 |

Cessation of operations (Note 1)
Commitments (Note 8)

On behalf of the Board





Doris Bradstreet Daughney
Chairman of the Board

John Horning
Chairman of the Audit Committee

See accompanying notes to the financial statements.

## Statement of Operations and Operations Deficiency

(in thousands)

| Year Ended March 31 | 2004 | 2003 |
|---|---|---|
| Revenues from operations | $ 27,335 | $ 26,657 |
| Direct costs | 12,782 | 11,908 |
| | 14,553 | 14,749 |
| Facility expenses | | |
| Staffing | 6,166 | 6,359 |
| Operating | 5,461 | 5,180 |
| General and administration | 2,175 | 1,892 |
| Business development | 686 | 677 |
| Fees | 833 | 569 |
| Depreciation | 3,943 | 4,378 |
| | 19,264 | 19,055 |
| Loss before other expenses | 4,711 | 4,306 |
| Other expenses | | |
| Severance payments and other costs of cessation of operations (Note 1) | 181 | 901 |
| Disposition of Tradex facility | 2,807 | - |
| | 2,988 | 901 |
| Loss before government contributions | 7,699 | 5,207 |
| Government contributions (Note 4) | | |
| Deferred contributions applied to offset depreciation ($3,869;2003: $4,341) recorded on capital assets contributed by the Province of British Columbia and unrecoverable net book value ($2,007) on disposition of Tradex facility | 5,876 | 4,341 |
| Deferred contributions from the Province of British Columbia for operating purposes utilized | | |
| To fund current operations deficiency | 1,823 | 866 |
| To fund prior year operations deficiency | - | 193 |
| | 7,699 | 5,400 |
| Net operations surplus | $ - | $ 193 |
| Operations deficiency, beginning of year | $ (2,074) | $ (2,267) |
| Net operations surplus | - | 193 |
| Operations deficiency, end of year | $ (2,074) | $(2,074) |

See accompanying notes to the financial statements.

## Statement of Cash Flows

(in thousands)

| Year Ended March 31 | **2004** | 2003 |
|---|---|---|
| Cash derived from (applied to) | | |
| **Operating** | | |
| Loss before government contributions | **$ (7,699)** | $ (5,207) |
| Depreciation and unrecoverable net book value of Tradex facility | **5,950** | 4,378 |
| Unearned revenue | **(362)** | (479) |
| Change in non-cash operating working capital (Note 7) | **385** | (142) |
| | **(1,726)** | (1,450) |
| **Financing** | | |
| Contributions from the Province of British Columbia | **2,000** | 2,400 |
| **Investing** | | |
| Capital asset additions | **(455)** | (1,229) |
| Net decrease in cash | **(181)** | (279) |
| Cash | | |
| Beginning of year | **3,706** | 3,985 |
| End of year | **$ 3,525** | $ 3,706 |

See accompanying notes to the financial statements.

# Notes to the Financial Statements

(in thousands)
March 31, 2004

## 1. General

B.C. Pavilion Corporation was incorporated by the Province of British Columbia on May 3, 1984 under the Company Act of British Columbia. The mandate of the Corporation is to generate economic and community benefit for the people of British Columbia through the management of public tourism and cultural facilities.

The Corporation owns and operates BC Place Stadium and Bridge Studios, and operates the Vancouver Convention & Exhibition Centre under a separate agreement.

In February 2002, the Province of British Columbia Core Review and Deregulation Task Force recommended that changes be made to the service delivery model of B.C. Pavilion Corporation. The changes recommended included the sale, transfer and cessation of some operations. Effective January 1, 2004, the Tradex facility land lease with the City of Abbotsford was cancelled and the facility ownership was taken over by the City of Abbotsford.

The impact of the remaining Task Force recommendations on the Corporation's operations has been considered and provision has been made in these financial statements for the Corporation's estimate of incremental costs expected to be incurred related to severance of employees and commitments for lease of premises. All other costs that will be incurred until cessation of operations are considered ordinary operating costs and will be accounted for as such in future financial statements.

## 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

### Use of estimates

In conformity with generally accepted accounting principles, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those reported.

### Capital assets

Capital assets funded through contributions by the Province of British Columbia are recorded at cost less accumulated depreciation.

Capital assets funded by the Government of Canada are recorded at cost, net of the related contributions and less accumulated depreciation.

Capital assets contributed by other parties in exchange for services are recorded at the fair value less accumulated depreciation.

**2. Summary of significant accounting policies (continued)**

**Capital assets** (Continued)
Assets are depreciated over their estimated useful lives to the Corporation:

| | |
|---|---|
| Buildings and improvements | 10 to 50 years: original buildings are depreciated on the sinking fund method and improvements on the straight line method |
| Furniture | 5 years, straight line |
| Computers | 3 years, straight line |
| Leasehold improvements | over the shorter of the estimated useful life of the improvement and the term of the lease |
| Motor vehicles | 30% per annum, declining balance |
| Other capital assets | 1 to 10 years, straight line |

**Government contributions**
Funding received from the Province of British Columbia is deferred until utilized:

- Funding used for operations is recognized as a recovery in the statement of operations to the extent operating expenses exceed revenues. If revenues exceed operating expenses, the excess is considered a recovery of prior years funding and is transferred to deferred contributions.

- Funding for acquisition of depreciable capital assets is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets.

- Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to contributed surplus when the related assets are acquired.

**Revenue recognition**
Revenue from events at BC Place Stadium, Tradex and the Vancouver Convention & Exhibition Centre is recognized on the completion of events. Revenue from Bridge Studios is recognized as the facility is utilized. Amounts received in advance of event completion and facility utilization are recorded as unearned revenues.

**Contra-transactions**
Unearned revenue resulting from contra transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

# Notes to the Financial Statements (continued)

(in thousands)
March 31, 2004

**2. Summary of significant accounting policies (continued)**

**Superannuation fund**

The employees and employers of the Public Service and Miscellaneous Employers contribute to the Public Service Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2002, indicated a $546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers. B.C. Pavilion Corporation paid $379,643 for employer contributions to the plan in fiscal 2004.

**Financial instruments**

The Corporation has various financial instruments including cash, receivables and payables. The carrying values of these financial instruments approximates their fair value due to their short term nature.

**3. Capital Assets**

| | Cost | Accumulated Depreciation | **2004 Net Book Value** | 2003 Net Book Value |
|---|---|---|---|---|
| Facilities | | | | |
| BC Place Stadium | $ 174,923 | $ 49,818 | **$ 125,105** | $ 127,324 |
| Bridge Studios | 14,475 | 7,369 | **7,106** | 7,736 |
| Tradex | - | - | **-** | 2,235 |
| Vancouver Convention & Exhibition Centre | 5,373 | 4,516 | **857** | 1,264 |
| Corporate Office | 93 | 93 | **-** | 4 |
| | $ 194,864 | $ 61,796 | **$ 133,068** | $ 138,563 |

# Notes to the Financial Statements (continued)

(in thousands)
March 31, 2004

**4. Deferred government contributions**

| | Capital Assets | Operating | 2004 Total | 2003 Total |
|---|---|---|---|---|
| Balance, beginning of year | **$ 108,446** | **$ -** | **$ 108,446** | $ 111,446 |
| Contributions received from the Province of British Columbia | **177** | **1,823** | **2,000** | 2,400 |
| | **108,623** | **1,823** | **110,446** | 113,846 |
| Allocated to operations: | | | | |
| To offset depreciation recorded on related capital assets | **(3,869)** | **-** | **(3,869)** | (4,341) |
| To offset unrecoverable net book value on disposition of Tradex facility | **(2,007)** | **-** | **(2,007)** | - |
| To fund current operating deficiency | **-** | **(1,823)** | **(1,823)** | (866) |
| To fund prior year operating deficiency | **-** | **-** | **-** | (193) |
| | **(5,876)** | **(1,823)** | **(7,699)** | (5,400) |
| Balance, end of year | **$ 102,747** | **$ -** | **$ 102,747** | $ 108,446 |

**5. Capital stock**

| | 2004 | 2003 |
|---|---|---|
| **Authorized:** | | |
| 10,000 common shares without par value | | |
| **Issued:** | | |
| 1 share, held by Her Majesty the Queen in right of the Province of British Columbia | **$ 1** | $ 1 |

**6. Environmental costs**

The Corporation and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that exist at Bridge Studios or may exist at other facilities. These hazards are being actively monitored and mitigated by the Corporation's management. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to the Corporation.

## Notes to the Financial Statements (continued)

(in thousands)
March 31, 2004

**7. Change in non-cash operating working capital**

| | 2004 | 2003 |
|---|---|---|
| Receivables | **$ (959)** | $ 170 |
| Prepaids | **226** | (385) |
| Trade payables and accrued liabilities | **1,139** | (57) |
| Accrued costs of cessation of operations | **(21)** | 130 |
| | **$ 385** | $ (142) |

**8. Commitments**

The Corporation is committed under long term, non-cancellable operating leases requiring future minimum payments of $200 thousand for each of the next two years.

The Corporation has contracted to pay $900 thousand over ten years ending 2010 for traffic and parking improvements at a facility previously owned by the Corporation. $700 thousand remains outstanding at March 31, 2004.

With respect to both of these commitments, appropriate accruals have been made and included in "accrued costs of cessation of operations".

**9. Related party transactions**

In the normal course of operations, the Corporation acquires from and sells goods and services to the Province of British Columbia and certain Crown corporations, predominantly under prevailing trade terms.

# CORPORATE GOVERNANCE

The Provincial government appoints the Chairman and the Board of Directors of PavCo. Under the Company Act the President and CEO is also a Director.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives of the Provincial government. These policies and directives are communicated to the Board through the Chairman. The performance results to be achieved by the Corporation and the guidelines placed on how these results are achieved are governed by Board policies and communicated to staff through the Chairman. In the case of a vacancy, the Board, in consultation with the Minister responsible, appoints the President and CEO.

The Board currently has two standing committees: Audit and Finance, and Governance. The Audit and Finance Committee overlooks financial reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with staffing and compensation issues and the implementation of all changes to be made as a result of the Core Services Review. Both committees review and develop matters in their specific areas and make recommendations to the full Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

**BOARD OF DIRECTORS:**

Doris Bradstreet Daughney, *Chairman, President & CEO* **(A;G)**
Norm Assam **(A)**
John Horning **(A;G)**
Daniel Jarvis **(G)**
Miriam Kresivo **(G)**
David Mindell **(A)**

COMMITTEES
**A** Audit and Finance; **G** Governance

**MANAGEMENT COMMITTEE :**

Howard Crosley, General Manager, BC Place Stadium
John Harding, Chief Financial Officer & Corporate Secretary
Barbara Maple, General Manager, Vancouver Convention & Exhibition Centre

# EVENT HIGHLIGHTS FROM FISCAL 2004

**VCEC**

*295 Events*
10th World Conference on Lung Cancer
Rendezvous Canada
US & Canadian Academy of Pathology
Pacific Dental Conference
World Weightlifting Championships
2003 International Oil Spill Conference
2003 Biennial National Design Conference
World Allergy Organization Congress
Cdn. Automobile Dealers Association 2003
American Burn Association

**BC Place Stadium**

*64 Events*
BC Lions Football
Pacific International Auto Show
BC Home and Garden Show
Vancouver International Boat Show
Vancouver Home & Interior Design Show
Vancouver Gift Show (Spring)
Vancouver Gift Show (Fall)
Motorspectacular
Playdome
Circle of Care Gala

**Bridge Studios**

*18 Productions*
Stargate
Blade 3
Jeremiah
Dead Like Me
Miracle on Ice
Scary Movie 3
Antarctica
Television Commercials

**Tradex**

*30 Events*
Lower Mainland Dog Fanciers Show
Snowbird RV Show & Sale
BC Classic & Custom Motoring Show
Abbotsford Collector Car Show & Auction
West Coast Women's Show
BMW Driver Training
Best of the West Antique Show
MCC Relief Sale
NAPA Auto Parts Trade Show

## WHERE TO FIND US

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### THE BRIDGE STUDIOS

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